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Summary record of the 31st meeting
Held at Headquarters, New York, on Friday, 16 December 2005, at 10 a.m.

Chairman: Mr. Muhith (Vice-Chairman) (Bangladesh)
Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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In the absence of Mr. Ashe (Antigua and Barbuda), Mr. Muhith (Bangladesh), Vice-Chairman, took the Chair.

The meeting was called to order at 10.25 a.m.

Agenda item 46: Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Agenda item 119: Strengthening of the United Nations system

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Implementation of decisions from the 2005 World Summit Outcome for action by the Secretary-General (A/60/7/Add.23 and A/60/568 and Corr.1 and Corr.2; A/C.5/60/19)

1. **The Chairman** drew the Committee's attention to the letter dated 9 December 2005 from the President of the General Assembly addressed to the Chairman of the Fifth Committee (A/C.5/60/19), transmitting the report of the Secretary-General on the ethics office; comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system; and the independent audit advisory committee (A/60/568 and Corr.1 and Corr.2) and requesting that the Committee should transmit its recommendations on that report to the General Assembly by 19 December 2005.

2. **Mr. Sach** (Controller) explained that the information in the report of the Secretary-General had been provided in response to a number of requests contained in the 2005 World Summit Outcome (General Assembly resolution 60/1), particularly paragraphs 161 (d), 164 (b) and 164 (c). The three annexes to the report elaborated on that information.

3. General information on the ethics office could be found in paragraphs 2 to 6 of the report, while other details, including resource requirements, had been provided in the revised estimates to the proposed programme budget for 2006-2007 (A/60/537), which the Committee was considering in informal consultations. The ethics office was intended to fill a gap: the Organization currently had no mechanism to coordinate ethics-related initiatives or to ensure that all staff were actively aware of ethics issues.

4. The ethics office was one of the management-reform initiatives intended to strengthen transparency, accountability and ethical conduct in the Secretariat, including expanded financial disclosure obligations for senior officials, as described in Secretary-General's bulletin ST/SGB/2005/19, and whistleblower protection, as described in Secretary-General's bulletin ST/SGB/2005/21.

5. The independent external evaluation of the United Nations auditing and oversight system, described in paragraphs 7 and 9 of the report of the Secretary-General, would take place within the context of the comprehensive review of governance arrangements. Once again, details of resource requirements had been provided in the revised estimates to the proposed programme budget for 2006-2007 (A/60/537).

6. The Audit Operations Committee of the United Nations Board of Auditors, the Office of Internal Oversight Services (OIOS) and members of the High-Level Committee on Management of the United Nations System Chief Executives Board for Coordination had been consulted on the terms of reference for the evaluation, which would be carried out by consultants selected on an international competitive basis. The evaluation process — a governance and oversight review and a review of OIOS — would be overseen by a steering committee established by the Secretary-General and consisting of five internationally representative independent experts.

7. The purpose of the evaluation, whose results would be submitted to the General Assembly in June 2006, was to promote the highest standards of ethics and organizational values, accountability, value for money, management efficiency and transparency by identifying best international practices in public- and private-sector governance, oversight and auditing. The review of OIOS was to recommend appropriate arrangements to make that body independent of

management, provide it with sufficient resources and optimize its effectiveness.

8. Details on the establishment and terms of reference of an independent oversight advisory committee could be found in paragraphs 10 to 13 of the report of the Secretary-General and in the revised estimates to the proposed programme budget for 2006-2007 (A/60/537). As the committee was to focus on audit matters, the Secretary-General had proposed that it should be called the "Independent Audit Advisory Committee". The five or seven external experts making up the committee would be nominated by the Secretary-General for approval by the General Assembly. The committee's provisional terms of reference would be reviewed in the independent external evaluation of auditing and oversight.

9. The Secretary-General had just received a letter from the Auditor-General of South Africa, in his capacity as Chairman of the Panel of External Auditors, welcoming the developments outlined in the report of the Secretary-General, the comprehensive terms of reference for the governance review and the terms of reference for the Independent Audit Advisory Committee, and expressing the hope that the momentum for better governance would spread throughout the United Nations system.

10. The actions which the General Assembly might consider were to take note of the report of the Secretary-General and its annexes and to approve the proposals set out in paragraphs 2 to 13 of that report.

11. **Mr. Saha** (Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee, in considering the report of the Secretary-General, had adopted a purely technical approach, focusing on the administrative and budgetary aspects of the proposals and leaving matters of policy to the General Assembly, as was appropriate. The relevant report of the Advisory Committee (A/60/7/Add.23) should be considered in conjunction with its report on the revised budget estimates (A/60/7/Add.13).

12. The Advisory Committee believed that the recommendations on the ethics office contained in its report on the revised budget estimates remained valid: the office should be headed by a staff member at the D-2 rather than Assistant Secretary-General level; as existing Secretariat units were carrying out ethics-related functions and the workload of the new office was uncertain, some of its staffing requirements should be met through general temporary assistance; and no regional liaison offices should yet be established. The Advisory Committee also awaited follow-up information, as requested in paragraph 11 of its report on the revised budget estimates (A/60/7/Add.13).

13. The role of the steering committee which was to oversee the evaluation of auditing and oversight should be clarified and possibly revised; as the steering committee was to be established by the Secretary-General, its active involvement in the evaluation could compromise the independence of that exercise. Furthermore, the Advisory Committee recommended that the proposed Independent Audit Advisory Committee should not be established until after the review of governance arrangements was complete. By contrast, there was no need to wait for the new committee's establishment before giving OIOS operational and budgetary independence, as called for in annex II, paragraph 5 (c), of the report of the Secretary-General. The General Assembly might wish to authorize OIOS to submit its budget through the Advisory Committee.

14. **Ms. Galvez** (United Kingdom), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate country Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia; and, in addition, Iceland, Norway, the Republic of Moldova and Ukraine, said that the European Union was committed to the early establishment of the ethics office and the finalization of related United Nations policies, including those covering whistleblower protection, fraud prevention and financial disclosure. The Organization must show that it was taking concrete steps to address transparency and accountability weaknesses and to mainstream ethical behaviour across all departments. The process of strengthening oversight should begin immediately; the first step was to ensure the operational independence of OIOS.

15. Recalling that the President of the General Assembly, in his letter to the Chairman (A/C.5/60/19), had requested that the Fifth Committee should provide the General Assembly plenary with recommendations regarding the issues covered in the report of the Secretary-General by 19 December 2005, she expressed her delegation's readiness to proceed as

rapidly as possible to informal consultations on that report, in the interests of a timely and constructive outcome.

16. **Ms. Taylor Roberts** (Jamaica), speaking on behalf of the Group of 77 and China, said that, as ethics and oversight were of great importance to the Group, it stood ready to consider constructively the content of the Secretary-General's report, though its late arrival had left little time to do so.

17. **Ms. Soni** (Canada), speaking also on behalf of Australia and New Zealand, expressed support for the proposals contained in the report of the Secretary-General regarding an ethics office, the independent external review of governance and oversight and the Independent Audit Advisory Committee.

18. The delegations of Australia, Canada and New Zealand could not, however, conceal their disappointment at the Advisory Committee report. Despite maintaining, in paragraph 2 of that report, that it should have had early access to the report of the Secretary-General, the Advisory Committee, when it had considered the report, had failed to address its content or to supply the technical advice which the Fifth Committee expected. In connection with the ethics office, it had merely restated its recommendations regarding resources, without commenting on the office's establishment or functions. Similarly, it had not commented on the merits of the proposed Independent Audit Advisory Committee.

19. **Mr. Torres Lépori** (Argentina), speaking on behalf of the Rio Group, affirmed the Group's support for Secretariat reform and its willingness to work constructively to improve efficiency and transparency. Although the Secretary-General had responded to the request made at the 2005 World Summit for information on the proposed ethics office, more details should be supplied during the Committee's informal consultations to enable the General Assembly to take the relevant decisions. The Rio Group agreed with the recommendations of the Advisory Committee regarding staffing of the office, whose workload was impossible to predict.

20. The Rio Group welcomed the recommendations of the Advisory Committee regarding the comprehensive review of governance arrangements, particularly the observation that the functions and mandate of the Independent Audit Advisory Committee should not be determined until the review was complete, and hoped that further clarification would be provided during informal consultations.

21. **Mr. Garcia** (United States of America) said that the key reforms referred to in the 2005 World Summit Outcome were essential to make the Organization stronger, more effective and more accountable at what the United States believed was a critical moment. The proposals contained in the report of the Secretary-General were sorely needed and must move forward as rapidly as possible. To that end, his delegation would work to achieve a consensus in the Committee.

22. **Mr. Matsunaga** (Japan) said that, in order to enhance accountability, integrity and transparency throughout the Secretariat, the General Assembly must take immediate steps to create an ethics office, conduct an independent external evaluation of the Organization's auditing and oversight system and establish an Independent Audit Advisory Committee. While his delegation supported actions to ensure and enhance the operational independence of OIOS, it was concerned that the suggestion contained in paragraph 18 of the Advisory Committee's report (A/60/7/Add.23) could undermine budgetary integrity. The strengthening of OIOS must be pursued immediately and vigorously and provisions to that end should therefore be incorporated into the proposed programme budget as soon as possible.

23. **Ms. Buergo Rodríguez** (Cuba) said that adherence to the highest ethical standards was a precondition for employment at the United Nations, and endorsed the comments contained in paragraph 19 of the Advisory Committee's report (A/60/7/Add.13). In that connection, the International Civil Service Commission, in its capacity as an advisory body, should consider the issue of ethical conduct at the United Nations. Although Cuba did not object to the proposed creation of an ethics office, it was not altogether convinced that such an office was necessary to strengthen ethical conduct within the Organization.

24. The external evaluation of the Organization's auditing and oversight system was a highly sensitive issue that should be analysed with great care. She reiterated Cuba's position on paragraph 164 (b) of the Summit Outcome, to the effect that it did not support an external evaluation because such an evaluation would place the United Nations, which was supposed to be impartial and neutral, at the mercy of questionable political interests. With regard to the

proposal to enhance the budgetary and operational independence of OIOS, any study or external review of the Office must be conducted in accordance with paragraph 11 of General Assembly resolution 59/272. Cuba was not convinced of the need for an Independent Audit Advisory Committee, since the Organization already had the internal mechanisms needed to ensure Secretariat compliance with the recommendations of the relevant audit and investigation bodies. That was another issue to which the General Assembly should devote sufficient time.

25. Lastly, she had taken note of the request contained in document A/C.5/60/19 and trusted that the Fifth Committee would be able to organize its remaining work in such a way as to make the most productive use of the time allotted to it and guarantee open, transparent and all-inclusive negotiations.

26. **Mr. Yoo** Dae-jong (Republic of Korea) said that the Secretary-General's report was a positive step towards the full implementation of the Summit Outcome, and expressed his delegation's strong support for efforts to strengthen oversight at the United Nations. He had taken note of the Advisory Committee's comments on staffing requirements for the ethics office and the timing of the establishment of the Independent Audit Advisory Committee, and trusted that the relevant negotiations would be concluded in a timely manner.

27. **Ms. Zobrist Rentenaar** (Switzerland) reiterated her delegation's support for the creation of an ethics office. She also welcomed the terms of reference for the comprehensive review of governance arrangements and stressed the need to take swift action on that matter.

28. With regard to the provisional terms of reference for the Independent Audit Advisory Committee, she stressed the need to respect the proper division of labour between that Committee and OIOS and drew attention to the potential for overlap between its mandate and those of OIOS and the Management Performance Board. The new Committee's coverage should include the funds and programmes and, during the selection process for expert members, greater emphasis should be placed on audit committee experience. The creation of an Independent Audit Advisory Committee was an important step forward in efforts to secure the budgetary independence of OIOS. Therefore, although the current terms of reference were provisional, she would prefer to adopt them without delay and revisit them in light of the outcome of the governance review.

29. **Mr. Alarcón** (Costa Rica), referring to the detailed information on the establishment of an ethics office provided in annex I to the Secretary-General's report, asked whether the provisions of paragraph 1 would also apply to officials at the Under-Secretary-General and other senior levels. With reference to paragraph 4, he wished to know whether the office would submit any reports directly to the General Assembly. Paragraph 10 referred to "senior officials", but he wondered whether the expanded financial disclosure programme would cover those officials contracted under the $1-per-year arrangement. The wording of paragraph 22 deserved further attention, and additional information should be provided on the chain of command and reporting lines between the Headquarters office and the liaison offices referred to in paragraph 25.

30. Turning to the terms of reference for the comprehensive review of governance arrangements, contained in annex II to the Secretary-General's report, he requested additional information on the phasing arrangements described in paragraph 4. While he agreed with the Advisory Committee's comments on the conduct of the independent external evaluation, he felt that the promotion of accountability mentioned in paragraph 5 (b) (ii) of annex II should apply also to senior officials and those contracted under the $1-per-year arrangement. As far as the composition of the Steering Committee was concerned, he was in favour of selecting five expert members, one from each geographical region. He would be grateful for clarification as to the significance of the phrase "multinational clients" in paragraph 14 (a). The Independent Audit Advisory Committee should also be composed of five members, one from each geographical region, and its scope should be extended to include the funds and programmes.

31. Lastly, referring to the criteria for defining the independence of members of the external committee (contained in appendix A to the Secretary-General's report), he requested further information on best practices in that area. He also wished to know how to define the phrase "senior member of the Government", since each Member State had a different administrative structure. With respect to paragraph 2 (e), he agreed that the receipt of United Nations compensation of

more than $100,000 during any 12-month period within the last three years should be considered to constitute a close relationship with the Organization. However, he felt that the receipt of more than $150,000 in total within the last three years should also be regarded as evidence of such a relationship. Lastly, the references to United Nations employees in subparagraphs (a) and (f) of paragraph 2 were not coherent, and more information should be provided on the precise meaning of "material relationship".

32. **Mr. Sach** (Controller) said that the Independent Audit Advisory Committee could be composed of five experts rather than seven, provided that its workload was managed effectively. Once the Committee was up and running, its scope could be extended to include the funds and programmes; the Panel of External Auditors had expressed the view that the existing terms of reference were suitable for that purpose.

33. In response to the questions posed by the representative of Costa Rica, he said that the reference to "multinational clients" in paragraph 14 (a) of annex II to the Secretary-General's report was intended to ensure that the entity undertaking the governance review had experience with clients in a variety of different countries. "Senior member of the Government" (appendix A) was understood to mean a Cabinet-level official, but the precise definition of that term, as well as of the dollar amounts deemed to constitute a "material relationship", could be decided upon during the relevant negotiations.

34. The proposed ethics office would have jurisdiction over all senior Secretariat staff, particularly since high-level officials were more susceptible to ethical risks. Once the office was established, it would submit an annual report to the General Assembly, thereby strengthening its relationship with the Assembly as a whole and the Fifth Committee in particular.

Agenda item 123: Programme budget for the biennium 2004-2005 (*continued*)

Provision of conference services (A/C.5/60/L.10)

35. **Ms. Taylor Roberts** (Jamaica), speaking on behalf of the Group of 77 and China and referring to the draft decision contained in document A/C.5/60/L.10, recalled that a compromise proposal had been submitted during the previous day's informal consultations. The Group of 77 and China viewed that proposal in a positive light and hoped that other delegations would do likewise.

The meeting was suspended at 11.25 a.m. and resumed at 1.05 p.m.

Organization of work

36. After a discussion in which **Mr. Elnaggar** (Egypt), **Mr. Mazumdar** (India), **Mr. Longhurst** (United Kingdom), **Mr. Elji** (Syrian Arab Republic) and **Ms. Taylor Roberts** (Jamaica) took part, **the Chairman** said that he would convene a meeting of the Bureau to discuss the possibility of holding another formal meeting that afternoon.

The meeting rose at 1.10 p.m.